

Aufgabe QR-7.23 Neubewertung, latente Steuern

(Revaluation, deferred taxes)

VINEYARD (Pty) Ltd. is a retail shop for liquor. It offers a special night service to deliver beverages to its customers. They run a delivery van MB Vaneo which was acquired on 1.07.20X2. The cost of acquisition was 27,480.00 EUR. On 1.01.20X5 VINEYARD gets notice that the net price for these kind of delivery vans increased by 2,520.00 EUR. Accordingly the bookkeeper makes a gross replacement bookkeeping entry to revalue the motor vehicle on 1.01.20X5. The delivery van gets written off along straight line method. The useful life is 6 years. No residual value to be considered.

In 20X5 VINEYARD (Pty) Ltd. made a revenue 120,000.00 EUR (net amount) and had expenses besides of depreciation 50,000.00 EUR (net of VAT, consider VAT for all expenses!) all on cash. Use the bank account.

Required: Make all bookkeeping entries for the van and prepare an income statement for fiscal year 20X5. Consider that the van's revaluation is not allowed along the tax law. You have to consider deferred taxes for that reason.

Lösung (Solution)

(1) Acquisition of the motor vehicle:

DR P, P, E	27,480.00 EUR
DR VAT	5,496.00 EUR
CR Bank	32,976.00 EUR

Annual depreciation is $27,480/6 = 4,580.00$ EUR.

(2) Depreciation charge for 20X2: $4,580/2 = 2,290.00$ EUR.

DR Depreciation	2,290.00 EUR
CR Acc. Depr.	2,290.00 EUR

(3) Depreciation charge for 20X3

DR Depreciation	4,580.00 EUR
CR Acc. Depr.	4,580.00 EUR

(4) Depreciation charge for 20X4

DR Depreciation	4,580.00 EUR
CR Acc. Depr.	4,580.00 EUR

(5) Gross replacement bookkeeping entry for the van's revaluation

DR P, P, E at valuation	30,000.00 EUR
CR Acc. Depr.	1,050.00 EUR
CR P, P, E at cost	27,480.00 EUR
CR Revaluation reserves	1,470.00 EUR

(6) Provision for deferred taxation $30\% \cdot 1,470 = 441.00$ EUR.

DR Revaluation reserves	441.00 EUR
CR Provisions	441.00 EUR

(7) Depreciation $17,500/3.5 = 500.00$ EUR.

DR Depr.	5,000.00 EUR
CR Acc. Depr.	5,000.00 EUR

(8) Dissolving provisions for 20X5 $441/3.5 = 126.00$ EUR.

DR Provisions	126.00 EUR
CR Revaluation reserves	126.00 EUR

(9) Dissolving revaluation reserves $1,470/3.5 = 420.00$ EUR.

DR Revaluation reserves	420.00 EUR
CR R/E	420.00 EUR

Determination of income tax (ITR = 30%) by the income statement for taxation (different depreciation to be considered because of no revaluation):

**Vineyard (Pty) Ltd's
STATEMENT of COMPREHENSIVE INCOME
for 20X5**

	20X5 [EUR]
Revenue	120.000,00
Other Income	
Changes in Inventory of Finished Goods and Work in Progress	
Work Performed by the Entity and Capitalized	<u>120.000,00</u>
Raw Material and Consumables Used	
Employee Benefits Expense	
Depreciation and Amortisation Expense	(4.580,00)
Impairment of Property, Plant and Equipment	
Other Expenses	(50.000,00)
Finance Costs	
Share of Profit of Associates	
Profit Before Taxation (EBT)	<u>65.420,00</u>
Income Tax Expenses	<u>(19.626,00)</u>
Profit for the Period (EAT)	45.794,00

Exhibit 1: Income statement for taxation

(10) Sales

DR Bank	144,000.00 EUR
CR VAT	24,000.00 EUR
CR Sales	120,000.00 EUR

(11) Expenses

DR Expenses	50,000.00 EUR
DR VAT	10,000.00 EUR
CR Bank	60,000.00 EUR

(12) Making a bookkeeping entry for taxation in the P&L-account:

DR P&L	19,626.00 EUR
CR Tax Liabilities	19,626.00 EUR

(13) The tax liabilities resulting from the financial statements for taxation differ from the income tax which would have been calculated by the commercial financial statements by $30\% \cdot (120,000 - 50,000 - 5,000) - 19,626 = -126.00$ EUR. For that reason a deferred tax income is to be considered:

DR R/E	126.00 EUR
CR P&L	126.00 EUR

(14) The balancing figure in the P&L-account is transferred to the R/E-account.

DR P&L	45,500.00 EUR
CR R/E	45,500.00 EUR

Accordingly the income statement for VINEYARD (Pty) Ltd. looks like displayed below:

**Vineyard (Pty) Ltd's
STATEMENT of COMPREHENSIVE INCOME
for 20X5**

	20X5
	[EUR]
Revenue	120.000,00
Other Income	
Changes in Inventory of Finished Goods and Work in Progress	
Work Performed by the Entity and Capitalized	<u>120.000,00</u>
Raw Material and Consumables Used	
Employee Benefits Expense	
Depreciation and Amortisation Expense	(5.000,00)
Impairment of Property, Plant and Equipment	
Other Expenses	(50.000,00)
Finance Costs	
Share of Profit of Associates	
Profit Before Taxation (EBT)	<u>65.000,00</u>
Income Tax Expenses	(19.626,00)
Deferred tax income	<u>126,00</u>
<i>Profit for the Period (EAT)</i>	<i>45.500,00</i>

Exhibit 2: Commercial income statement

See all accounts below:

D	PPE	C
(1)	27.480,00	c/d 27.480,00
b/d	27.480,00	(5) 27.480,00

D	VAT	C
(1)	5.496,00	c/d 5.496,00
b/d	5.496,00	() 5.496,00
(11)	10.000,00	(10) 24.000,00
c/d	14.000,00	
	24.000,00	24.000,00
	b/d	14.000,00

D	Bank	C
c/d	32.976,00	(1) 32.976,00
()	5.496,00	b/d 32.976,00
c/d	27.480,00	
	32.976,00	32.976,00
(10)	144.000,00	b/d 27.480,00
		(11) 60.000,00
		c/d 56.520,00
	144.000,00	144.000,00
b/d	56.520,00	

D	Depr.-20X2	C
(2)	2.290,00	c/d 2.290,00
b/d	2.290,00	P&L 2.290,00

D	Acc Depr	C
c/d	2.290,00	(2) 2.290,00
b/d	2.290,00	b/d 2.290,00
c/d	6.870,00	(3) 4.580,00
	6.870,00	6.870,00
b/d	6.870,00	
c/d	11.450,00	(4) 4.580,00
	11.450,00	11.450,00
b/d	11.450,00	
c/d	17.500,00	(5) 1.050,00
	17.500,00	(7) 5.000,00
		17.500,00
	b/d	17.500,00

D	Depr.-20X3	C
(3)	4.580,00	c/d 4.580,00
b/d	4.580,00	P&L 4.580,00

D	Depr.-20X4	C
(4)	4.580,00	c/d 4.580,00
b/d	4.580,00	P&L 4.580,00

D	PPE valuation	C
(5)	30.000,00	c/d 30.000,00
b/d	30.000,00	

D	Rev Res	C
(6)	441,00	(5) 1.470,00
(9)	420,00	(8) 126,00
c/d	735,00	
	1.596,00	1.596,00
	b/d	735,00

D	Provision	C
(8)	126,00	(6) 441,00
c/d	315,00	
	441,00	441,00
	b/d	315,00

D	Depr.-20X5	C
(7)	5.000,00	c/d 5.000,00
b/d	5.000,00	P&L 5.000,00

D	R/E	C
DTI	126,00	(9) 420,00
c/d	45.794,00	R/E 45.500,00
	45.920,00	45.920,00
	b/d	45.794,00

D	P&L	C
Exp	50.000,00	Sales 120.000,00
Depr.	5.000,00	
EBT	65.000,00	
	120.000,00	120.000,00
TLia	19.626,00	EBT 65.000,00
R/E	45.500,00	DTI 126,00
	65.126,00	65.126,00

D	Sales	C
c/d	120.000,00	(10) 120.000,00
P&L	120.000,00	b/d 120.000,00

D	Expenses	C
(11)	50.000,00	c/d 50.000,00
b/d	50.000,00	P&L 50.000,00

Exhibit 3: Accounts (not all of them are required for the task)

Observe the balancing figure in the R/E account equals the EAT calculated by the income statement for taxation!